

LONG TERM ECONOMIC FORECAST

Sonoma County

CURRENT SETTING

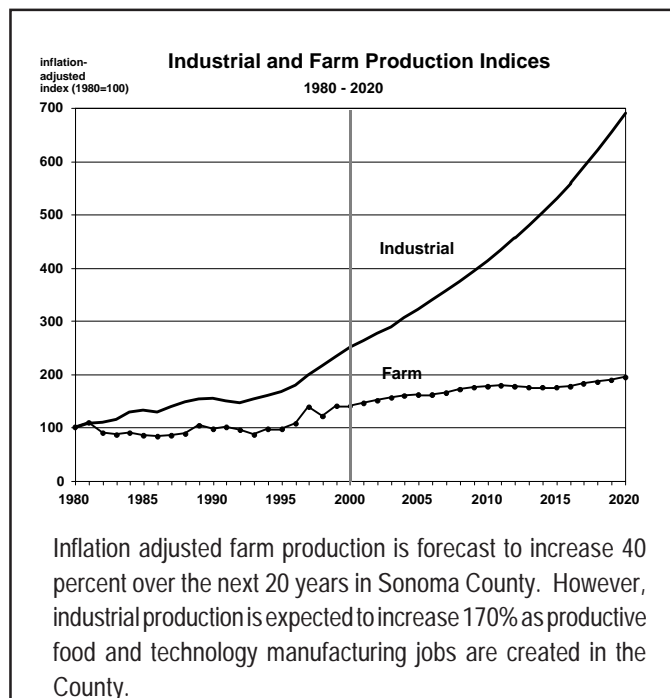
Sonoma County is a member of the nine-county Bay Area region, contributing 6.6 percent of the population and 5.5 percent of total wage and salary employment. Sonoma County is known for its wine grape region and world class wines. Consequently, it is a principal tourist destination in California, together with adjacent Napa County.

The County's population currently ranks as the 16th largest in California, at 455,000.

The principal employment sectors are wholesale and retail trade, healthcare services, local education, construction, scientific instruments manufacturing, and food manufacturing. Since 1996 the median price of a home in the County has increased sharply, from \$179,000 to \$269,600 as of April 2000.

FORECAST SUMMARY

- Employment growth is forecast to average 3.0 percent per year through 2003. From 2004 to 2015, annual employment growth will slow to an average rate of 1.7 percent. This rate is then anticipated to increase to 3.2 percent per year over the last five years of the forecast.
- Manufacturing employment should grow faster than other sectors, to comprise 18.2 percent of total wage and salary employment in 2020, compared to 16.0 percent in 1999. The services sector is expected to remain the dominant employment sector with more than 27 percent of total wage and salary jobs between 2000 and 2020.
- Real per capita personal income will rise 4.2 percent in 2000. This wealth indicator is expected to grow an average of 1.2 percent per year for the 2001 to 2010 forecast period, accelerating to 2.4 percent per year between 2010 and 2020. This rate of growth is approximately equal to the rate for California as a whole.
- Taxable retail sales are forecast to grow at an inflation-adjusted average annual rate of 3.5 percent over the entire forecast period. Greater annual growth rates are forecast for the 2011 to 2020 period than for the 2000 to 2010 period.



EMPLOYMENT

Sonoma County has recorded impressive job growth since 1995, creating more than 36,000 jobs. The annual growth rate has averaged 4.4 percent. Slower job growth is forecast in 2001 and thereafter, due to the very tight labor market conditions prevailing in California.

The capacity of the region to produce more jobs combined with less housing and higher density result in more restrained economic growth after 2003. Employment growth still averages 1.9 percent per year between 2000 and 2010, and 2.6 percent per year between 2010 and 2020.

The manufacturing sector is expected to create jobs at an average 3.2 percent rate per year during the first decade of the new millennium. Retail trade employment will increase at a 2.4 percent rate of growth to accommodate a vibrant tourism economy in Sonoma County.

As the retirement population becomes more dominant in the 2010 to 2020 period, service sector jobs are expected to accelerate, increasing an average of 2.8 percent per year. Employment in healthcare is expected to lead all other service sector categories in job creation.

INCOME

Total personal income improved 4.6 percent in 1998 and 5.2 percent in 1999. Personal income is expected to rise 8 percent in 2000 and 6.5 percent next year. The income gains reflect the extent of job creation and the development of wealth by the retirement population.

Adjusted for inflation, real per capita income improved 2.0 percent in 1999. Real per capita personal income is forecast to average 1.2 percent growth per year between 2001 and 2010, and 2.2 percent between 2010 and 2020. The faster rate of income growth in the outer years of the forecast is a consequence of rising salaries and retirement income.

HOUSING AND DEMOGRAPHICS

Net migration into Sonoma County was estimated at 5,100 persons in 1999. Net migration is expected to remain between 5,000 and 6,000 people per year between 2000 and 2006. Migration slows thereafter because job growth slows.

The unemployment rate is averaging 2.2 percent in 2000 after a record 2.7 percent annual average in 1999. It is expected to remain between 2 and 4 percent during the entire forecast period. More 18 to 30-year-olds will enter the labor force between now and the end of the forecast period. However, the population aged 65 and over increases by a larger margin.

ECONOMIC FORECAST: DEMOGRAPHICS, INCOME, SALES

year	Popula- tion	Net Migra- tion	Regis- tered Vehicles	House- holds	New Housing Units	Retail Sales	Personal Income	Real Per Capita Income	Farm Crop Sales	Indus- trial Output
	people	people	thousands of veh.	thousands of homes	homes	billions of \$	billions of \$	1999 \$ per person	millions of \$	billions of 1999 \$
1995	419,459	2,892	397.9	161	1,927	\$3.0	\$10.6	\$27,217	\$343	\$2.6
1996	424,481	3,213	404.4	162	1,464	\$3.2	\$11.4	\$28,440	\$390	\$2.8
1997	432,751	6,598	389.8	164	2,121	\$3.4	\$12.4	\$29,837	\$507	\$3.1
1998	441,349	6,011	417.3	165	2,964	\$3.6	\$13.0	\$30,230	\$454	\$3.4
1999	450,187	5,085	413.2	167	3,051	\$4.1	\$13.7	\$30,589	\$536	\$3.6
2000	459,258	6,034	438.8	170	3,203	\$4.5	\$14.8	\$31,860	\$534	\$3.9
2001	468,682	5,704	447.8	173	3,031	\$4.7	\$15.8	\$32,432	\$536	\$4.1
2002	477,879	5,435	455.3	176	2,919	\$5.0	\$16.7	\$32,883	\$538	\$4.3
2003	487,103	5,323	462.3	179	3,231	\$5.3	\$17.6	\$33,256	\$544	\$4.5
2004	496,056	5,179	468.4	182	3,137	\$5.6	\$18.6	\$33,462	\$559	\$4.7
2005	504,542	5,128	474.8	184	3,159	\$5.9	\$19.6	\$33,715	\$586	\$5.0
2006	512,225	5,069	481.8	187	3,230	\$6.2	\$20.7	\$34,127	\$625	\$5.3
2007	520,262	4,835	486.3	190	3,006	\$6.6	\$21.8	\$34,378	\$647	\$5.5
2008	528,408	4,805	490.7	193	2,997	\$7.0	\$22.9	\$34,743	\$652	\$5.8
2009	536,453	4,876	496.0	196	3,068	\$7.4	\$24.2	\$35,270	\$667	\$6.1
2010	544,513	4,983	502.6	199	3,149	\$7.8	\$25.6	\$35,988	\$684	\$6.4
2011	551,096	4,922	509.4	202	3,143	\$8.3	\$27.1	\$36,714	\$703	\$6.7
2012	557,632	5,035	516.5	205	3,140	\$8.8	\$28.6	\$37,408	\$728	\$7.1
2013	564,241	5,230	524.2	208	3,158	\$9.3	\$30.2	\$38,168	\$757	\$7.4
2014	570,810	5,388	531.7	211	3,126	\$9.8	\$31.8	\$38,802	\$780	\$7.8
2015	578,318	5,740	540.8	214	3,244	\$10.3	\$33.7	\$39,525	\$800	\$8.2
2016	585,349	6,039	551.5	217	3,378	\$10.9	\$35.7	\$40,386	\$820	\$8.6
2017	592,490	6,355	562.5	220	3,369	\$11.5	\$37.9	\$41,210	\$844	\$9.1
2018	599,748	6,986	577.0	223	3,680	\$12.2	\$40.5	\$42,356	\$876	\$9.6
2019	606,954	7,286	592.1	226	3,707	\$13.0	\$43.4	\$43,662	\$910	\$10.1
2020	614,173	7,642	608.0	230	3,750	\$13.8	\$46.4	\$44,902	\$943	\$10.6

Note: Historical data is shown for the years 1990 to 1999; forecasts begin in the year 2000

If the traditional retirement ages of 65 to 67 remain intact, there will be a net loss of the available labor force in Sonoma County between 2010 and 2020. However, an older workforce is expected to prevail, in part due to the postponement of retirement by 65-year-olds. Consequently, the ratio of total jobs to total population increases from 42 percent in 2000, to 43 percent in 2010, to 49 percent in 2020.

Slower growth and land use constraints keep new housing to an average of 3,000 units per year. Department of Finance projections of population imply an average 1.7 percent growth rate per year between 2000 and 2010, and 1.2 percent growth per year between 2010 and 2020.

ECONOMIC FORECAST: EMPLOYMENT

Total Wage & Salary	Farm	Cons- truction	Mining	Manu- fac- toring	Trans. & Public Utilities	Trade	Finance, Insurance, Real Estate	Total Services	Gov- ern- ment
----- thousands of jobs -----									
155.9	5.5	7.5	0.5	21.9	5.7	38.6	9.8	41.3	25.1
163.4	5.8	8.3	0.5	23.6	5.9	40.4	9.5	44.4	25.0
171.7	6.2	9.3	0.5	26.1	6.1	41.3	9.6	47.4	25.2
179.4	6.5	10.2	0.4	28.1	6.4	42.6	9.9	49.7	25.6
186.2	6.7	12.0	0.4	29.7	6.4	42.6	10.3	51.5	26.6
194.0	6.4	13.8	0.4	30.8	6.6	43.9	10.5	54.1	27.4
200.2	6.2	15.1	0.4	31.8	6.8	45.2	10.7	56.0	27.9
205.2	6.1	15.8	0.4	32.9	6.9	46.5	10.9	57.3	28.3
209.8	6.1	16.2	0.4	34.1	7.0	47.7	11.1	58.5	28.7
213.7	6.2	16.2	0.4	35.2	7.1	48.9	11.3	59.3	29.0
217.8	6.6	16.0	0.4	36.5	7.2	50.0	11.6	60.1	29.3
222.4	7.1	16.0	0.4	37.8	7.3	51.2	11.8	61.0	29.8
225.0	6.8	15.5	0.4	38.9	7.4	52.3	12.0	61.4	30.3
227.5	6.3	15.0	0.4	40.0	7.5	53.4	12.3	61.9	30.8
230.7	6.6	14.6	0.4	41.2	7.5	54.5	12.5	62.1	31.3
234.7	6.6	14.6	0.4	42.4	7.7	55.6	12.8	62.8	31.8
238.8	6.7	14.8	0.4	43.6	7.8	56.7	13.1	63.3	32.4
243.1	6.9	15.3	0.4	44.8	7.9	57.9	13.3	63.6	33.0
247.8	7.1	15.7	0.4	46.0	8.1	59.0	13.6	64.2	33.6
252.4	7.0	16.1	0.4	47.3	8.3	60.2	13.9	65.0	34.2
258.1	7.0	16.8	0.4	48.5	8.6	61.3	14.2	66.5	34.8
265.1	7.0	17.9	0.4	49.7	8.9	62.4	14.6	68.9	35.4
272.1	7.1	19.0	0.4	50.9	9.2	63.5	14.9	71.0	36.0
281.7	7.3	20.8	0.4	52.3	9.6	64.7	15.2	74.7	36.6
291.5	7.5	22.7	0.4	53.6	10.1	65.8	15.6	78.5	37.3
302.0	7.6	24.6	0.4	54.9	10.5	67.0	16.0	82.9	38.0

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